United Nations A/54/477

General Assembly

Distr.: General
19 October 1999

Original: English

Fifty-fourth session
Agenda item 88
United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Rapporteur: Mr. Hans **Brattskar** (Norway)

Contents

		Paragraphs	*Page*
I.	Introduction	1–3	2
	Origin and background of the Working Group	1–3	2
II.	Activities of the Working Group during 1999	4–5	2
III.	Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East	6–13	2
IV.	Concluding remarks	14–19	3

99-30399 (E) 271099

I. Introduction

Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all those which followed, the General Assembly considered the reports submitted to it by the Working Group (most recently A/53/597) and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (most recently resolution 53/47).

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Volkan Vural (Turkey).

II. Activities of the Working Group during 1999

4. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 10 September and 13 October 1999, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 13 October 1999.

5. At its 121st meeting, on 10 September 1999, the Working Group heard the Commissioner-General of UNRWA, who submitted an up-to-date report on the financial situation of the Agency. The Working Group gave further consideration to the report of the Commissioner-General at its 122nd meeting, on 13 October 1999 (see sect. III below).

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

6. UNRWA ended the 1998 financial year with a core deficit of $1.9 million in its regular budget, representing the difference between actual expenditure of $254.0 million and actual income of $252.1 million. However, the difference between cash income and the cash budget of $314 million for the year meant that the Agency recorded a budget deficit of $61.9 million.

7. The deficit in the cash budget was covered out of working capital (the difference between assets and liabilities in the regular budget), which was reduced to a level of negative $4.8 million by the end of 1998. As the Commissioner-General of UNRWA points out in his current report to the General Assembly,[1] that was far below the optimal level of one month's average expenditure, of some $25 million, of which $17 million represented the Agency's payroll for nearly 22,000 area staff. By the middle of 1999, a potentially critical cash-flow situation was predicted for the rest of calendar year 1999. One factor greatly complicating the Agency's cash-flow situation was the non-reimbursement to UNRWA by the Palestinian Authority of value-added tax and other charges, such as customs clearance and port fees, which had been remitted by the Agency in the course of its operations in the Gaza Strip and West Bank. The Commissioner-General reported to the Working Group that those charges had exceeded $21 million by September 1999. The non-payment of funds for the completion of the European Gaza Hospital (for which $11.6 million was still owed) and the move of UNRWA headquarters from Vienna to the area of operations (for which $5.2 million was still owed) had also contributed to the critical cash shortage with which the Agency was confronted. The cash position had eroded to the point where, by September 1999, the Agency was obliged to use funds for a very limited period from its income-generation programme in order to meet the September payroll. The funds from the income-generation programme were replenished within 17 days as funds were received. A similar situation is predicted for December 1999 unless the Agency receives additional funding.

8. As expected cash income at the beginning of 1998 fell short of budgeted cash expenditure, the Agency was obliged to carry forward austerity measures that had been introduced in response to repeated funding shortfalls since 1993 and carried over from year to year. By the beginning of 1998, the

accumulated value of those austerity measures had reached a level of $52 million. The measures had reduced estimated cash expenditure in the Agency's regular programme for 1998 to $262 million from the budgeted level of $314 million. For 1998, cash expenditure was further reduced by measures such as the maintenance of higher vacancy rates, delayed recruitment as part of a general recruitment freeze, the realization of savings from restructuring measures such as the use of contract staff and a reduction in international staff posts and non-utilization of certain budget lines owing to stricter financial controls.

9. The austerity measures carried over in 1998 included significant reductions in budget allocations in many areas, among them those for medical equipment and other supplies, travel, maintenance, training and hospitalization subsidies for refugees, as well as the freezing of certain posts and the non-funding of a provision for staff termination indemnities. Meeting with the Working Group in New York on 10 September 1999, the Commissioner-General of UNRWA conceded that, while the Agency had made every attempt not to reduce services as a result of those measures, the level and quality of services had undeniably been negatively affected. This had manifested itself through such effects as overcrowding in classrooms and clinics and a state of disrepair and increasing dilapidation of ageing Agency installations such as schools and health centres.

10. The Agency's major donors have responded repeatedly and generously in recent years to special appeals from the Secretary-General and the Commissioner-General for special funding of its General Fund budget, as well as of project funds. Once again in 1998 and 1999, the Commissioner-General and his colleagues have made strenuous efforts to keep donors apprised of the situation, through the sharing of quarterly financial reports and the holding of regular consultations among the Agency, donors and the host authorities. After such consultations in September 1998, April 1999 and again in September 1999, additional contributions were pledged to help the Agency with its cash-flow problem. At the same time, the Agency continued to try and attract a reliable, sustainable flow of funds so that such stopgap measures were not depended upon to meet ongoing and growing funding needs. In that context, UNRWA has appealed to donors to make payments of pledged contributions earlier in the calendar or budget years and to ensure the payment of pledges on time.

11. The present year has seen the adoption by UNRWA of a new, more transparent budgeting methodology for the biennium 2000-2001. It was hoped that the new approach, aimed at enhancing the budget's usefulness as a planning, management and fund-raising tool, would result in increased donor resources being made available to the Agency. By adopting a programme-based and forward-looking approach, UNRWA hoped to achieve full funding of its 2000-2001 budget and to move beyond the budget crises of recent years.

12. New policies were also adopted in 1999 for the engagement of area staff, beginning with teachers recruited for the 1999/2000 school year. Under those new policies, staff previously working on temporary contracts were being offered fixed-term contracts with an improved package of entitlements. This was seen as a significant change in the employment practices followed by the Agency over the past few years, which could over the long term afford significant savings in expenditures on local staff costs while fulfilling the Agency's desire to be as fair and competitive an employer as its financial circumstances allowed.

13. The year 2000 share of the 2000-2001 budget for UNRWA being presented to the General Assembly at its current session is some $300.9 million in cash and in kind, compared with estimated cash and in-kind expenditures of $276.2 million in 1999. (The budget for 1999 presented to the Assembly was $352.8 million.) The $300.9 million budget for 2000 makes no provision for the cost of area staff termination indemnities, estimated at some $145 million.

IV. Concluding remarks

14. The Working Group is once again deeply concerned about the financial prospects for UNRWA, in particular, after seven years of austerity measures, which have eroded the level and quality of the services provided by the Agency to 3.6 million Palestine refugees. The Working Group emphasizes that it is the responsibility of the international community to ensure the maintenance of UNRWA services at acceptable levels, in terms of quantity and quality, as defined by the needs of the refugee community, and to ensure that service levels keep pace with the steady natural growth of the refugee population.

15. The Working Group appreciates that UNRWA has made significant progress towards eliminating the structural deficit problem that plagued the Agency in previous years, in particular through the use of contract teachers, reductions in international staffing and other reforms. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts to maintain the basic operations of the Agency despite the constraints on the availability of resources that they have faced. It commends the Commissioner-General also for his fund-raising efforts and for his commitment to keeping the major donors and host authorities informed and involved, opening new

avenues of support and funding and seeking a broader base of donors. It calls for the early and complete fulfilment of pledges and other commitments to the Agency, in particular the reimbursement of value-added tax and other charges paid to the Palestinian Authority, and of funds advanced by the Agency from its regular budget for the completion of the European Gaza Hospital and the move of its headquarters to the area of operations.

16. The Working Group expresses alarm at the continuing negative effect of seven years of austerity measures on the Agency's humanitarian operations. Those measures have prevented programmes from expanding at a rate commensurate with the growth in the refugee population, necessitated curtailments in ongoing programme activities and precluded certain actions that would normally be part of the Agency's regular programme of work. Most seriously, those measures have led to increased class sizes in Agency schools, rising patient/staff ratios in the health services and higher caseloads for social workers dealing with the poorest refugees.

17. The Working Group is pleased to note the introduction of regularized conditions of employment for staff who had been working on temporary contracts and the adoption of new staff policies that will facilitate the employment of fixed-term staff on equitable terms. Over the long run, this could make a significant contribution to reducing costs, in particular in the Agency's largest programme, education. However, the Working Group appreciates that that action is not a long-term solution to securing the funding of the Agency's regular activities on a sustainable basis. As for the effects of other austerity measures, the Working Group is concerned that freezes on regular budget allocations for university scholarships, rehabilitation of shelters and selective cash assistance have not only reduced the Agency's activities in those areas, but made them dependent on extrabudgetary contributions; that cuts in allocations for facilities maintenance have led to the deterioration of the Agency's extensive physical assets; and that reductions in hospitalization allocations have meant that some patients who require hospital care may be unable to receive it. The Working Group is gravely concerned at the impact of those measures on the lives of the Palestine refugees, in particular in the areas of education and health care. The Group fears that additional austerity cuts could cause severe social and economic hardship to an already suffering refugee population and that this would put an increased burden on the authorities hosting the refugees. The Working Group continues to believe that UNRWA plays a vital role in preserving the stability and security of the region and that adequate funding of the Agency's programmes is essential to ensuring this.

18. The Working Group agrees that the problem of the refugees is deeply rooted in a political issue that originated more than half a century ago and that it remains essential to settle that problem once and for all in accordance with all relevant United Nations resolutions. However, the problems faced by the refugees today are humanitarian ones that must be addressed as a shared international responsibility. The services provided by UNRWA must be seen as the minimum required to enable the refugees to lead decent human lives. Any further reduction in those services would not only unfairly deprive the refugees of the minimum level of support to which they are entitled, but could also have a destabilizing effect on the entire region. Above all, the Working Group expresses the hope that the international support for UNRWA embodied in annual General Assembly resolutions recognizing the importance of the Agency's work and requesting that Governments contribute to it should be translated into measures for ensuring the survival of the Agency on a secure financial basis.

19. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2000 and once again:

(a) Urges those Governments which have not yet contributed to UNRWA to start to do so;

(b) Urges those Governments which have so far made only relatively small contributions to increase their contributions;

(c) Urges those Governments which in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges those Governments which traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing or to increase their contributions;

(e) Urges Governments to consider making special contributions sufficient to cover the deficit and build up working capital, so that UNRWA services can continue uninterrupted and the Agency can restore services cut as a result of the austerity measures, and to ensure that donor support of emergency-related and special programmes or capital projects does not in any way decrease or divert contributions to the Agency's regular programmes.

Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 13* (A/54/13).